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**Boston's Hotel and Tourism Market
Development Opportunities for the 90s**

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1 EXECUTIVE SUMMARY

Visitors to Boston are an important source of jobs, income, and economic vitality for the City and the state. In 1989, the Boston area attracted 8.8 million visitors who spent \$3.5 billion and had a total economic impact of \$6.3 billion, equivalent to six percent of the total regional economy or the total cost of the 10-year clean-up of Boston Harbor. In the City of Boston, the visitor industry had a greater relative importance, accounting for about \$4.3 billion, or 14 percent of the city economy. The visitor industry contributes as much to the city economy as the combined total of all manufacturing, wholesale trade and construction firms located in the city.

In FY 1989 property tax revenue from hotels in Boston amounted to \$12.5 million. In addition, in FY 1986 the City instituted a hotel room occupancy tax, equal to 4 cents for every dollar of room sales. The Commonwealth also collects a tax of 5.75 cents per dollar of sales. The City's hotel occupancy tax has generated annual revenues from FY 1986 through FY 1989 of: \$6.8 million, \$10.4 million, \$12.1 million, and \$13.6 million. Together, hotel property and lodging taxes generate about 4.4 percent of locally generated tax revenue.

About half of all visitors to Boston are overnight hotel guests who spend an average of \$330 per day and account for nearly 80 percent of all direct visitor expenditures. For the purposes of this report, visitors have been classified as tourists, group visitors to conventions and meetings, and individual business visitors.

- Tourists account for one-third of the total economic impact of Greater Boston's visitor industry and one-fifth of all hotel room nights sold. Boston and its suburbs attracted 4.3 million tourists in 1989. Demographic trends in the 1990s will continue to favor tourist travel in Massachusetts as the Baby Boom generation ages and gains higher levels of personal income. International tourism is also expected to rise.
- Boston's services and information oriented economy engenders face-to-face meetings and in-person negotiations which contribute to the growing number of business visitors to the City. In 1989, the Boston area hosted 2.6 million business visitors, accounting for 47 percent of hotel room nights sold and an even larger proportion of room sales in the centrally located, luxury hotels.
- Boston attracts a variety of convention groups and is particularly suited to meetings related to health care, the computer industry, and higher education. Trade and gate show events attract visitors from around New England. Convention visitors to Boston reached 1.7 million in 1989, up from 1.0 million the previous year.

Through upcoming developments such as the relocation of the New England Aquarium and the new Boston Garden, along with expansion of research, information

and service industries, Boston is enhancing its attractive qualities to bring even greater numbers of visitors through the decade of the 1990s.

Market information indicates that the Boston area hotel industry remains healthy despite the slowdown in the economy and the lingering fiscal crisis in the state. The average hotel room occupancy rate in the City of Boston in 1989 was 72.0 percent. The average room rate increased 3.7 percent in 1989, to \$117.43 from \$113.21 in 1988.

- The outlook for Boston is for substantial demand for hotel accommodations in the next ten years. Even after allowing for slower growth rates in national, regional, and local economies, projected demand for hotel accommodations would support the development of at least 8 to 10 new hotels with at least 4,000 rooms in the 1990s.
- Among selected metropolitan areas, the Boston area ranked third in occupancy and room rates. One factor in Boston's relatively high occupancy was the strong, pent-up demand for hotel rooms in Boston in the early 1980s. The Boston metropolitan area still has a relatively small stock of hotel rooms. In 1986, Boston ranked 17th among 21 large metropolitan areas in hotel rooms per capita and 18th in hotel rooms per 1,000 employees.
- Annual average hotel occupancy could be higher if the seasonal pattern of room sales were not as severe. Average occupancy drops to 50 percent or lower in December, January and February. A five percent increase in occupancy during these months would increase annual room sales by \$5.3 million. If all of these rooms sales were made to out-of-state visitors, the total economic benefit to the Commonwealth would be \$34.1 million. Boston is currently exploring marketing strategies to offset seasonal fluctuations and increase visitors and hotel occupancy during the off-peak months.

2 BOSTON'S VISITORS

A combination of business, cultural, recreational and aesthetic factors makes Boston one of the most attractive cities in the world for visitors of all types. In order to accommodate the millions of visitors who come to Boston every year, the city has promoted and fostered a significant expansion of international hotel space in the downtown area. The future is bright for a continuation of this expansion.

Visitors to Boston are an important source of jobs, income, and economic vitality for the City. In 1989, the Boston area attracted 8.8 million visitors of all types and from places all over the world. This total, while slightly lower than the 1988 record of 8.9 million visitors, reflects the substantial growth that has occurred in Boston's visitors market since the 1985 level of 7.1 million visitors.

Visitors also represent the basis of significant development opportunities in Boston, particularly in the areas of hotels and group meeting facilities. What might be called the "visitor industry" is indeed vital to hotels, as about half of all visitors are overnight hotel guests. These hotel guests spend an average of \$330 per day and account for nearly 80 percent of all direct visitor expenditures.

Visitors may be classified as tourists, group visitors to conventions and meetings, and individual business visitors. Each one of the three offers particular types of economic benefits for Boston. Combined, they represent a significant segment of the City's overall economy, with sound prospects for further growth in the future. Tourists, business visitors and the convention trade are integral parts of the hotel industry in Boston.

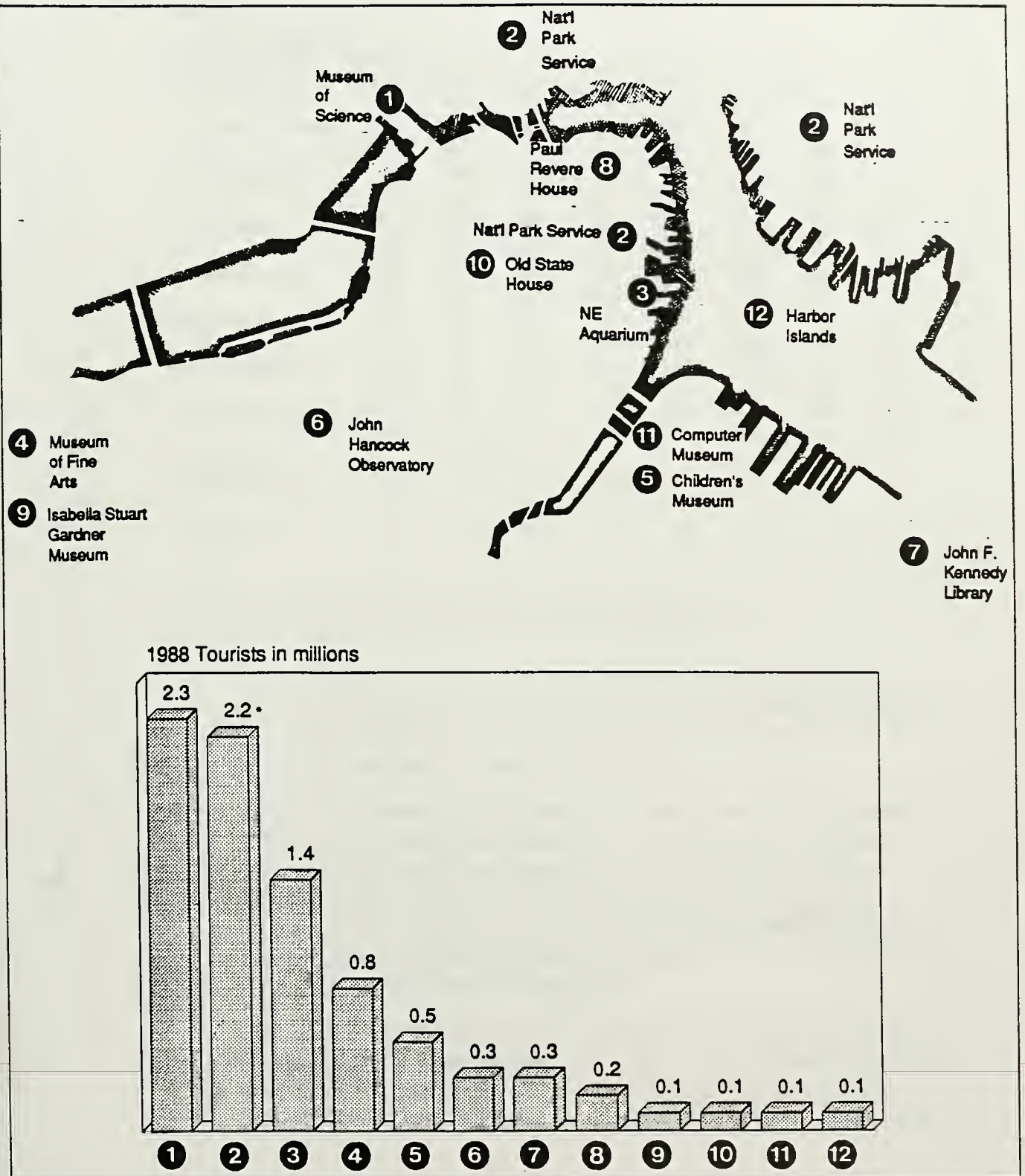
TOURISTS

Tourists account for one-third of the total economic impact of Greater Boston's visitor industry and one-fifth of all hotel room nights sold. According to the Greater Boston Convention and Visitors Bureau, Boston and its suburbs attracted 4.3 million tourists in 1989. After a 9.1 percent increase from 1986 through 1988, the number of tourists fell by 9.5 percent in 1989, returning to the 1986 level. The most active spot in Boston is the Festival Marketplace at Quincy Market. Fourteen million people, visitors, convention goers business travelers Boston workers and local area residents enjoy its ambiance each year. Other primary tourist attractions in Boston are shown in Figure 1. Visitor attendance at Boston's major attractions was down slightly in 1989 after robust years in 1987 and 1988. See Table 1.

A study of travel in Massachusetts, conducted by the Massachusetts Division of Tourism in 1987, based its analysis on research from the U.S. Travel Data Center and surveys of advertising awareness. The study highlighted the following strengths of tourism in the Bay State.

Figure 1

Tourist Attendance In Boston



* (Nat'l Park Service includes: Faneuil Hall, USS Constitution, Bunker Hill Monument, Old North & South Churches)

Table 1

Attendance at Major Tourist Attractions in Boston, 1981-1989.

Number of Visitors in Thousands, and Percent Change from Previous Year

Institution	1989	1988	1987	1986	1985	1984	1983	1982	1981
Boston Nat'l Historic Park (Faneuil Hall, USS Constitution, Bunker Hill, Old N & S Churches)	2,098 -2.7	2,157 -1.7	2,195 30.9	1,676 3.9	1,613 7.4	1,502 -43.9	2,671 16.2	2,304 -3.5	2,386 —
New England Aquarium	1,291 -6.6	1,382 9.6	1,260 11.7	1,129 0.5	1,123 16.8	961 4.8	918 4.0	882 -5.4	933 —
Children's Museum	499 -5.3	527 10.2	478 -0.7	482 5.7	456 -0.4	458 16.9	392 -10.4	437 15.4	378 —
Gardner Museum*	133 -10.0	148 -11.1	166 0.3	165 17.4	141 25.0	113 -11.7	128 -12.9	147 11.8	131 —
Museum of Science	1,636 27.5	2,255 38.6	1,626 63.2	997 -16.2	1,190 45.8	816 1.8	801 -1.1	810 0.9	802 —
Museum of Fine Arts	867 7.1	810 -7.4	874 14.9	761 -29.8	1,041 46.3	741 -19.2	917 1.5	903 3.4	873 —
John F. Kennedy Library*	312 20.0	260 0.0	260 10.0	236 -4.5	248 -8.2	270 1.5	266 -11.3	300 -21.4	381 —
Paul Revere House	201 0.1	200 2.6	196 -3.6	203 11.5	182 11.3	164 0.4	163 5.9	154 -16.9	185 —
Bostonian Society (Old State House)	91 0.6	90 15.5	78 -2.0	80 -3.8	83 5.9	78 —	— —	— —	— —
Computer Museum	88 14.9	77 -4.5	80 6.3	75 14.0	66 —	— —	— —	— —	— —

Note: *Attendance for 1989 is estimated from partial monthly information.

Source: New England Aquarium, monthly report on museum attendance in Boston.

- Nearly two-thirds of domestic visitors to Massachusetts come from the New England and Mid-Atlantic states. Those regions have solid, diversified economies which experienced growth in personal income above the national average in the 1980s. That trend is likely to continue in the 1990s.
- The international market is likely to make up for much of the short-term domestic slowdown. For the Boston area, 10 percent of all visitors come from foreign countries. Foreign visitors tend to spend more money per day than domestic travelers, and are likely to come to Boston in increasing numbers as travel constraints are lifted in Eastern Europe and the European Common Market gains strength. Currently, the prosperous nations of Japan and West Germany send 37 percent of the foreign visitors to the Boston area.
- Demographic trends will continue to favor tourist travel in Massachusetts as the Baby Boom generation ages and gains higher levels of personal income. Visitors to the state tend to be in their years of greatest earning power: 68 percent of all visitors to Massachusetts are between the ages of 25 and 54, and 28 percent of all

visitors are 35 to 44 years of age. Young adults and retired persons, the least likely to visit the state, will hold a declining share of total population in the nation.

BUSINESS VISITORS

In 1989, the Boston area hosted 2.6 million business visitors. That matched the level of 1986, but was down from 2.9 million in 1988, reflecting the regional and national slow-down in business activity. Business visitors account for 47 percent of hotel room nights sold and are especially attracted to the centrally located, luxury hotels. Local and regional economic conditions may constrain the increase of business visitors in the short term. However, Boston's information and services-oriented economic activities, especially financial services, real estate, and legal services, engender face-to-face meetings and in-person negotiations.

CONVENTION VISITORS

Although fewer tourists and business visitors came to the Boston area during the last year, growth in conventions and meetings took up the slack. To accommodate the growth of this all-important segment of visitors to Boston, convention-trade capacity in Boston has been upgraded over the last five years with the completion of the Bayside Exposition Center, the World Trade Center, and the expanded Hynes Convention Center. The Hynes has 193,000 square feet of exhibition space in 435,000 square feet of total meeting space, double its capacity before renovation. The World Trade Center (1986) on Commonwealth Pier has a 120,000 square-foot exhibit hall and 22,200 square feet of meeting rooms. The Bayside Expo Center (1983) has 184,000 square feet of exhibit and meeting space.

In 1989, these investments paid off handsomely. Conventions and meetings last year made up for an off year in tourism and business, as the number of convention visitors reached 1.7 million, up from 1.0 million in 1988.

Boston attracts a variety of convention groups: trade and gate shows, and business and professional associations. Because of Boston's economic specializations, the City is particularly suited to meetings related to health care, the computer industry, and higher education. See Table 2. Many of the meetings and trade shows take place in the smaller facilities, including hotels. The newer hotels have substantial meeting facilities, led by the Sheraton Boston, which has 81,500 square feet of meeting space and 42 meeting rooms, and the Boston Marriott Hotel at Copley Place, which has 37 meeting rooms amounting to 67,264 square feet of meeting space.

Nationwide, the number of convention facilities grew from 222 in 1980 to 305 in 1987, a 37 percent increase. The square feet of exhibit space in the nation expanded from 25 million to 42 million, up 68 percent. See Table 3. Massachusetts expanded its convention capacity by 52 percent, and improved its ranking among states from 15th in 1980 to

Table 2

Boston's Largest Conventions and Events, 1989

		Attendance	Site
Jan. 6-8	Budweiser International World of Wheels	90,000	Bayside Expo
Jan. 13-15	Northeastern Retail Lumberman's Assoc.	14,000	Sheraton Boston
Jan. 19-22	MA Dental Society: 14th Annual Congress	17,000	Sheraton Boston
Jan. 21-29	New England Camping Show	50,000	Bayside Expo
Jan. 28-Feb. 5	Boston Boat Show	219,000	World Trade
Feb. 4-12	North American Home Show	60,000	Bayside Expo
Feb. 9-12	Boston Sailboat Show	76,000	World Trade
Feb. 18-25	New England Home Show	220,000	World Trade
Feb. 18-26	New England Boat Show	75,000	Bayside Expo
Feb. 25-March 3	Networld '89	15,000	Hynes Convention
March 4-11	Boston Seafood Show	16,000	Hynes Convention
March 4-12	MA Horticultural Society: 118th Annual		
	New England Spring Flower Show	150,000	Bayside Expo
March 18-22	Boston Gift Show	15,000	Bayside Expo
April 23-25	Northeast Food Service & Lodging Expo	27,000	Bayside Expo
May 3-5	New England Truck & Truck Equipment		
	Show	20,000	Bayside Expo
May 5-7	Applefest '89	18,000	Hynes Convention
May 9-11	National Association of College Admission		
	Counselors: College Fair	15,000	Hynes Convention
June 13-15	Nepcon East '89	20,000	Bayside Expo/Wd Tr
July 26-Aug. 6	Asso. for Computing Machinery: SIGGRAPH	25,000	Hynes Convention
Aug. 9-12	Macworld Expo	25,000	Bayside Expo/Wd Tr
Sept. 9-13	Boston Gift Show	15,000	Bayside Expo
Oct. 18-22	New England Home Show	80,000	World Trade
Nov. 4-12	New England International Auto Show	328,000	Bayside Expo
Nov. 17-19	Eastern Dog Club Show	25,000	Bayside Expo
Nov. 17-19	Boston Ski & Travel Show	25,000	Bayside Expo

Source: Greater Boston Convention and Visitors Bureau

11th in 1987. National convention attendance, too, increased tremendously in the 1980s.

Total attendance at major conventions in the United States increased from 7.9 million in 1979 to 12.7 million in 1987. Over those years, conventions shifted toward larger facilities requirements. See Table 4.

The potential of the expanded Hynes facilities, the popularity of the other two centers, and the larger role for hotels in hosting meetings hold promise for attraction of group visitors in the years ahead.

These three segments of the visitor industry will be favored by regional economic trends. The economies of New England and the Mid-Atlantic states will continue to generate jobs and income for well-educated, white-collar workers. The state travel study

Table 3. Convention Center Facilities in Selected States, 1980 and 1987.

State	1980		1987	
	Facilities	S.F. Exhibit Space	Facilities	S.F. Exhibit Space
Arizona	4	375,000	4	598,000
California	25	2,897,000	41	4,864,000
Colorado	2	210,000	4	420,000
Connecticut	1	95,000	1	95,000
District of Columbia	4	225,000	5	747,000
Florida	12	978,000	17	1,756,000
Georgia	8	792,000	11	1,540,000
Illinois	11	2,577,000	9	2,810,000
Indiana	4	375,000	4	642,000
Kansas	3	181,000	3	445,000
Kentucky	4	1,235,000	6	921,000
Louisiana	8	714,000	11	1,280,000
Maryland	2	217,000	3	346,000
MASSACHUSETTS	5	692,000	9	1,055,100
Michigan	6	980,000	8	1,051,000
Minnesota	4	391,000	5	492,000
Missouri	11	1,264,000	11	1,249,000
Nevada	7	968,000	12	2,372,000
New Jersey	2	571,000	4	754,000
New York	13	1,299,000	15	2,061,000
North Carolina	5	359,000	6	401,000
Ohio	7	958,000	10	2,842,000
Oklahoma	2	556,000	3	826,000
Oregon	3	294,000	5	752,000
Pennsylvania	8	718,000	7	953,000
Rhode Island	1	50,000	1	89,000
South Carolina	5	704,000	5	704,000
Tennessee	5	342,000	9	946,000
Texas	19	2,773,000	25	4,325,000
Utah	1	180,000	2	360,000
Virginia	5	325,000	5	346,000
Washington	4	198,000	8	873,000
Wisconsin	3	228,000	2	447,000
All States	222	25,133,000	305	42,377,100

Source: Robert Black, Convention Center Industry Growth, Trade Show Bureau, 1988

Table 4. Association Convention and Exhibit Trends, 1979-1987.

	1979	1987	Percent Change 1979-1987
Major conventions	10,300	12,700	23.3
Total attendance	7,936,000	15,571,700	96.2
Average attendance	775	1,226	58.2
Conventions with exhibits	5,350	7,112	32.9
Average exhibit space used	18,600	19,090	2.6
Percent distribution of conventions with exhibit needs of:			
Less than 20,000 net sq. ft.	76	69	-9.2
20,000 to 40,000 s.f.	7	13	85.7
40,000 to 100,000 s.f.	17	15	-11.8
100,000 or more s.f.	0	3	—

Source: The Meetings Market, 1979, 1987.

found that visitors to Massachusetts tend to be well above average in education and income, and tend to have white-collar occupations. Even during the current national economic slowdown, people in the two regions may not curtail their travels to Massachusetts due to the high incidence of weekend visits. Only 30 percent of the trips to Massachusetts have a duration of more than three nights.

REPEAT VISITORS

Repeat visitation to Massachusetts is extremely high. Only 8 percent of the visitors had not previously made a trip to the state. The travel study found that visitors to the state are highly satisfied with their travel experiences. Greater Boston is the most popular destination in Massachusetts, accounting for 44 percent of all overnight trips to the state.

In this decade, return visitors and newcomers will find improved attractions in Boston. The New England Aquarium plans to relocate to the Charlestown Navy Yard where it will expand and update its facilities. The Aquarium will have a total economic impact for the Boston area that is expected to exceed \$80 million annually. Adjacent shops and major water transit service will boost the attractiveness of the site. In addition, a new Boston Garden, home to the Bruins and Celtics, will allow Boston to host more and larger sporting, entertainment and convention events.

3 BOSTON'S HOTEL MARKET

Boston's reputation as a international city is based on many factors: livability, charm, top-notch medical, educational, and cultural institutions, a center of finance, and others. Also contributing to the City's reputation is an array of international hotels to accommodate visitors to Boston from around the nation and the globe.

Occupancy and Room Rates

Data is available for the Boston area hotel market for 1989. Using comparisons of annual averages, market information indicates that the Boston area hotel industry remains healthy after a year that brought slight reductions in average room occupancy and slight increases in average room rates.

According to real estate consultant Pannell Kerr Forster (PKF), the average hotel room occupancy rate in the City of Boston in 1989 was 72.0 percent, a drop of 3.4 percent from the 74.5 percent rate in 1988. Unlike some years when additions to the hotel room stock reduced the average occupancy, the slight decrease in average occupancy in 1989 was caused by fewer hotel guests: Boston has not added to the hotel room stock since 1987. However, at 72.0 percent, the average occupancy in 1989 was still higher than the average annual occupancy rate for the years 1980-1989 (71.5 percent). See Table 5 and Figure 2.

The average room rate in the City of Boston increased 3.7 percent in 1989, to \$117.43 from \$113.21 in 1988. This increase was less than the average increase in consumer prices in the Boston area, which rose by 5.4 percent during the year. See Figure 3.

Boston's hotel market may be divided into two prime areas: Back Bay, with 7,062 rooms or 60 percent of all rooms, and the downtown area, with 2,454 rooms or 21 percent of the total. Hotels in the Back Bay area had an average occupancy of 73.2 percent in 1989, down 2.2 percent from 1988. In the downtown area, occupancy was 71.3 percent, down by 5.1 percent. Average room rates were \$113.82 in the Back Bay area, up by 3.8 percent from 1988, and \$129.68 in the downtown area, up by 5.4 percent.

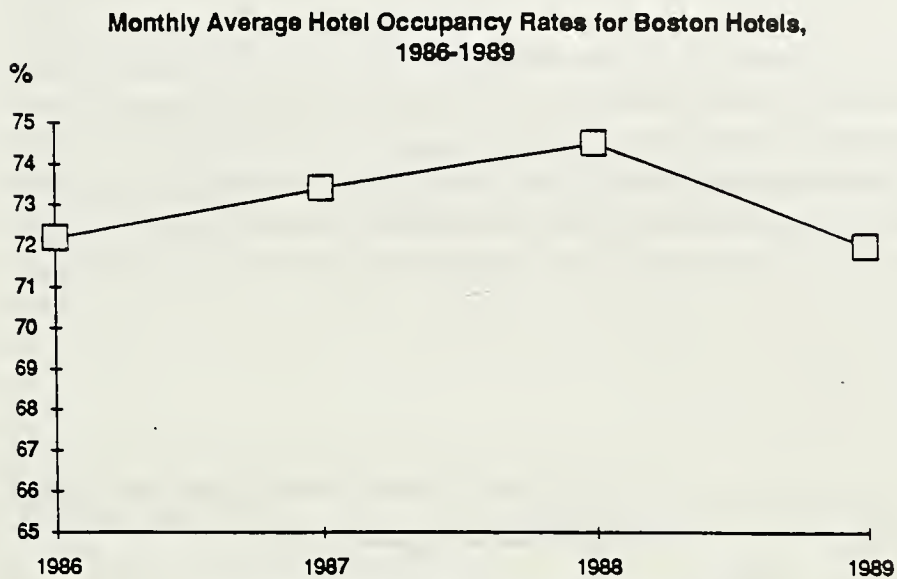
Table 5. Average Hotel Occupancy Rates for Boston Hotels, 1980-1989.
Occupancy Rates in Percent

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1980-89
Annual Average*	75.8	72.4	68.1	68.1	69.5	68.9	72.2	73.4	74.5	72.0	71.5

Note: * Based on monthly averages.

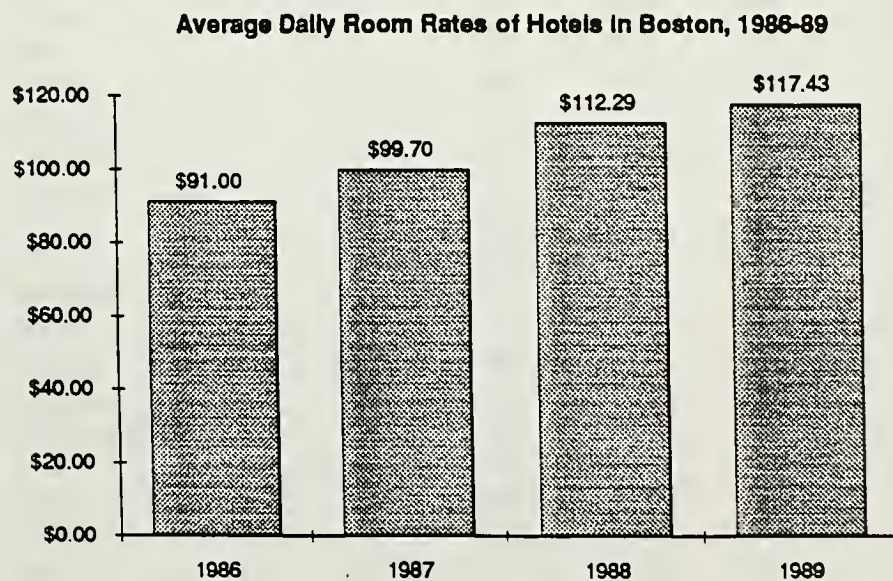
Source: Pannell, Kerr, Forster, Trends in the Hotel Industry, monthly releases.

Figure 2



Source: Pannell, Kerr, Forster, Trends in the Hotel Industry

Figure 3



Source: Pannell Kerr Forster, Special Supplement: Trends in the Hotel Industry

In a national perspective, the Boston hotel market is healthy. PKF reported a slight improvement in hotel performance nationally in 1989 over 1988 with particular advances in the South Atlantic and South Central regions. In 1989, Boston's average hotel room occupancy rate was 5.4 percentage points above the national average (64.6 percent.) Boston's average room rate was also higher than the national average (\$72.69) by \$44.74. Among selected metropolitan areas, the Boston area ranked third in occupancy and room rates. See Tables 6 and 7. And, among the 49 city hotel markets monitored by PKF, including some resort areas and cities with incomparable markets, Boston still ranked as the third-best according to average occupancy in 1989. Only Honolulu and New York topped Boston. Boston's room rate also ranked third behind New York and Naples/Ft. Myers.

Table 6
Average Hotel Occupancy in Selected Metropolitan Areas, 1986-1990.

Metropolitan Area	Average Occupancy in Percent				Rank Among Selected Metro Areas	
	1986	1987	1988	Estimated 1989	Projected 1990	1988
Boston	73.0	74.0	72.3	69.0	70.0	3
Atlanta	63.0	61.0	59.6	60.5	61.5	15
Chicago	69.1	68.4	65.8	65.0	65.0	11
Dallas	56.7	54.0	55.0	58.0	60.0	18
Denver	55.7	54.0	54.7	56.0	59.0	19
Minneapolis	64.0	60.9	61.6	64.0	66.0	13
Kansas City	60.4	64.6	60.0	52.0	55.0	14
Los Angeles	70.1	72.3	70.4	71.0	72.0	6
Nashville	69.5	70.7	68.9	68.0	69.0	9
New York	76.0	74.8	77.0	73.0	72.0	1
Philadelphia	66.0	71.4	71.0	70.0	70.0	5
Phoenix	66.7	58.2	57.0	61.0	63.0	16
St. Louis	62.0	63.2	61.8	59.0	60.5	12
San Diego	72.7	77.7	70.4	70.0	72.0	6
San Francisco	72.3	75.4	72.8	76.0	72.0	2
Seattle	66.0	69.4	71.9	75.0	77.0	4
Tampa	68.0	68.0	67.9	68.0	68.0	10
Washington	67.4	68.0	70.0	71.0	71.0	8
Houston	44.0	51.6	56.0	59.0	61.0	17

Source: Pannell Kerr Forster, Special Supplement:
Trends in the Hotel Industry, United States, 1988, 1989.

One factor in Boston's relatively high occupancy was the strong, pent-up demand for hotel rooms in Boston in the early 1980s. The City's hotel stock had dropped from 11,863 in 1930 to 5,994 in 1978, as economic hardship and obsolescence took many hotels out of operation in the decades following the Great Depression. As growth in services changed the structure of national and regional economies, Boston's economic base of financial, insurance, medical and educational services took on new life. Investments in the downtown area set the stage for construction of new office space in support of the revitalized and growing business activity. The rebuilding of Boston's hotel stock followed as 4,919 hotel rooms were added between 1980 and 1988.

The hotel market in New England was not as healthy in 1989 as in 1988. The Massachusetts occupancy rate fell to 67.6 percent from 70.8 percent, a decline of 4.4 percent. The average room rate in the Commonwealth was \$103.50, a gain of 3.5 percent from

Table 7

Average Daily Room Rates in Hotels in Selected Metropolitan Areas, 1986-1990

Metropolitan Area	Average Daily Room Rate (\$)					Rank Among Selected Metro Areas 1988
	1986	1987	1988	Estimated 1989	Projected 1990	
Boston	91.0	99.7	104.1	111.0	119.0	3
Atlanta	66.0	65.0	66.2	70.0	73.0	12
Chicago	71.0	82.8	79.7	84.0	88.0	6
Dallas	59.3	58.5	63.0	64.0	65.0	13
Denver	55.9	50.1	54.8	55.5	57.5	18
Minneapolis	57.0	57.1	60.1	62.5	66.0	14
Kansas City	55.3	49.6	59.7	56.0	56.0	15
Los Angeles	68.3	70.4	72.5	74.5	78.0	9
Nashville	56.7	63.5	69.7	72.0	74.0	10
New York	101.3	112.8	124.3	133.0	140.0	1
Philadelphia	73.9	71.4	87.8	95.0	100.0	5
Phoenix	79.2	67.7	68.0	71.0	74.0	11
St. Louis	55.0	57.0	55.1	59.0	61.0	17
San Diego	72.9	74.7	76.5	76.5	78.5	8
San Francisco	88.1	103.7	106.5	111.0	115.0	2
Seattle	67.0	72.2	78.7	82.0	85.0	7
Tampa	53.0	59.0	57.0	58.0	61.0	16
Washington	85.0	85.6	94.0	99.0	104.0	4
Houston	51.0	48.5	50.0	50.0	52.0	19

Source: Pannell Kerr Forster, Special Supplement:
Trends in the Hotel Industry, United States, 1988, 1989.

1988. Cape Cod, the ever-popular resort, was the only area in the state to show a rise in hotel occupancy over the year. Elsewhere in New England, Rhode Island hoteliers reported a 1989 occupancy rate of 66.1 percent, down by 4.5 percent from the 69.2 percent average in 1988. The average room rate was \$88.45, a gain of 4.8 percent. Providence showed a 6.5 percent decline in occupancy, but still reached the 70 percent occupancy mark in 1989. The room rate in Providence rose by 5.4 percent to \$83.52.

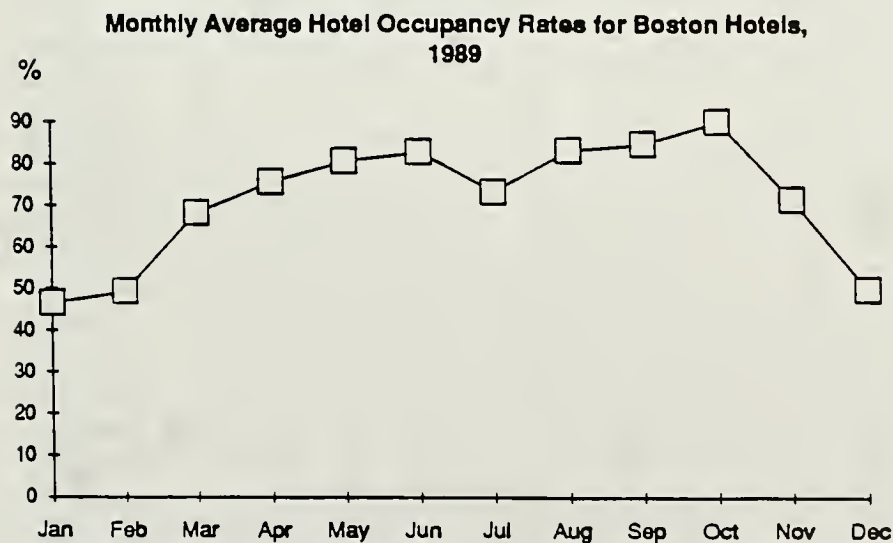
In sum, Boston's hotel market showed a mild slowdown in 1989 as the regional economy cooled from the fast-paced growth of 1984-1988. The hotel market, however, has still surpassed the national average in performance. Average room rates held firm until October when Boston hotels reported slight decreases from a year earlier. The slip in hotel room occupancy appears to be spread among the three major segments of the hotel market: business, convention, and tourist. Perhaps due to the underlying strength of the three market segments, the hotel industry in Boston appears to be weathering the regional economic slowdown in stride.

SEASONALITY IN HOTEL OCCUPANCY

Boston's monthly hotel occupancy continued its seasonal variations in 1989. Room occupancy peaks in the summer and fall seasons, and drops in the winter and early spring. See Figure 4 and Table 8. While seasonal patterns are typical in most hotel markets, northern cities suffer from travelers' tendency to avoid cold weather. See Table 9.

Boston's seasonality is evident in the range of the monthly occupancy rates. October is the peak month, averaging around 90 percent occupancy. January replaced December as the trough in 1986, averaging around 50 percent occupancy. Compared to other major cities in 1988, Boston had the third highest occupancy rate range (highest month minus

Figure 4



Source: Pannell, Kerr, Forster, Trends in the Hotel Industry, monthly releases.

Table 8. Monthly Average Hotel Occupancy Rates for Boston Hotels, 1980-1987.

Occupancy Rates in Percent

Month	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1980-1989 Average
January	57.6	52.3	52.5	46.7	50.8	50.7	47.5	51.5	49.8	46.0	50.5
February	61.1	58.4	58.0	48.7	51.5	51.9	57.4	59.6	56.7	49.0	55.2
March	69.7	63.9	63.2	58.9	62.3	62.0	61.7	65.5	70.0	68.0	64.5
April	79.2	79.3	71.2	74.1	75.2	74.2	73.2	72.0	73.1	76.0	74.8
May	84.3	82.5	75.2	78.8	77.6	74.5	81.6	76.4	80.4	81.0	79.2
June	85.9	83.9	79.1	80.2	79.9	79.6	85.1	82.1	85.9	83.0	82.5
July	78.2	78.0	71.3	66.6	71.0	67.6	78.0	80.4	79.1	73.0	74.3
August	84.1	78.5	73.8	78.0	75.8	77.8	84.5	85.9	88.1	83.0	81.0
September	88.3	83.4	78.8	80.3	81.4	79.3	89.8	89.2	86.8	85.0	84.2
October	92.9	89.1	87.8	89.8	92.4	90.0	92.1	92.0	91.8	90.0	90.8
November	74.4	70.9	64.5	70.8	68.8	69.2	70.7	74.4	73.2	72.0	70.9
December	53.7	48.4	42.5	45.5	48.2	48.2	48.5	51.8	50.0	50.0	48.7
Annual Average	75.8	72.4	68.1	68.1	69.5	68.9	72.2	73.4	74.5	72.0	71.5
Percent Change From Previous Year		-4.5	-5.9	0.0	2.1	-0.9	4.8	1.7	1.5	-3.4	
Range	39.2	40.7	45.3	44.3	44.2	41.8	44.6	40.5	42.0	44.0	42.1

Source: Pannell, Kerr, Forster, Trends in the Hotel Industry, monthly releases.

Table 9. Monthly Occupancy Rates by Selected City, 1988.

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Ann.Ave.
Boston	51	58	69	73	65	84	79	87	85	89	71	48	72
Atlanta	60	65	64	59	62	61	65	66	56	62	55	42	60
Chicago	47	54	64	69	72	78	66	73	75	77	69	49	55
Dallas/Ft Worth	65	58	58	53	53	54	55	57	53	62	53	42	55
Denver	47	48	51	48	49	63	62	64	54	52	46	36	55
Houston	54	60	58	55	54	60	57	60	47	62	57	43	55
Kansas City	50	55	59	67	66	65	66	76	62	67	65	49	62
Los Angeles	66	69	75	70	70	74	74	80	72	74	67	57	70
Memphis	49	56	55	55	58	61	65	68	61	64	60	47	58
Minneapolis	52	59	56	58	58	65	66	71	67	67	61	48	62
Nashville	51	59	65	69	74	82	79	74	73	78	63	53	69
New Orleans	80	72	64	73	70	64	65	67	59	81	67	44	65
New York	61	69	74	74	82	81	69	79	79	89	82	70	77
Philadelphia	58	69	70	80	83	77	64	72	72	84	73	53	72
Phoenix	62	76	83	68	58	47	40	46	50	57	57	47	57
St.Louis	45	46	63	62	65	74	71	73	68	70	59	47	62
San Antonio	48	61	66	64	63	79	85	80	63	68	58	53	67
San Diego	60	72	77	73	70	69	79	84	72	69	58	51	69
San Francisco	55	64	74	68	77	79	82	79	76	90	69	61	73
Washington	42	58	78	82	85	81	69	70	72	79	60	45	68

Source: Parnell Kerr Forster, Trends in the Hotel Industry, 1989, Houston, Texas, 1989.

lowest month) after Washington, D.C. and Phoenix. See Table 10. An index of monthly occupancy rates (where the annual average equals 1.00) shows Boston to have the third lowest level in December, after Denver and Washington, D.C., the second lowest in January, after the nation's capital, and the second lowest in February after St. Louis. See Table 11. Boston is not an extreme case: the variation is even more severe in tourist-dependent areas such as Cape Cod, where occupancy reaches 90 to 100 percent in summer months, but dips to around 20 percent during the winter months. However, if occupancy rates in Boston during December through February were higher by five percentage points, the rates would still be below those of Philadelphia and closer to those of San Francisco.

Table 10.

Hotel Occupancy Rate Ranges by Selected City, 1988.

	Range	High	Low
Boston	41	Oct	Dec
Atlanta	24	Aug	Dec
Chicago	31	June	Jan
Dallas/Fort Worth	23	Jan	Dec
Denver	28	Aug	Dec
Houston	19	Oct	Dec
Kansas City	18	Oct	Dec
Los Angeles	23	Aug	Dec
Memphis	21	Aug	Dec
Minneapolis	23	Aug	Dec
Nashville	31	June	Jan
New Orleans	37	Oct	Dec
New York	28	Oct	Jan
Philadelphia	31	Oct	Dec
Phoenix	43	March	July
St. Louis	29	June	Jan
San Antonio	37	July	Jan
San Diego	33	Aug	Dec
San Francisco	35	Oct	Jan
Washington, D.C.	43	May	Jan

Source: Pannell Kerr Forster, Trends in the Hotel Industry, Houston, Texas, 1989.

Table 11.

Index of Monthly Hotel Room Occupancy by Selected City, 1988.

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Ann.Ave.
Boston	0.71	0.81	0.96	1.01	0.90	1.17	1.10	1.21	1.18	1.24	0.99	0.67	1.00
Atlanta	1.00	1.08	1.07	0.98	1.03	1.02	1.08	1.10	0.93	1.03	0.92	0.70	1.00
Chicago	0.85	0.98	1.16	1.25	1.31	1.42	1.20	1.33	1.36	1.40	1.25	0.89	1.00
Dallas/Ft Wth	1.18	1.05	1.05	0.96	0.96	0.98	1.00	1.04	0.96	1.13	0.96	0.76	1.00
Denver	0.85	0.87	0.93	0.87	0.89	1.15	1.13	1.16	0.98	0.95	0.84	0.65	1.00
Houston	0.98	1.09	1.05	1.00	0.98	1.09	1.04	1.09	0.85	1.13	1.04	0.78	1.00
Kansas City	0.81	0.89	0.95	1.08	1.06	1.05	1.06	1.23	1.00	1.08	1.05	0.79	1.00
Los Angeles	0.94	0.99	1.07	1.00	1.00	1.06	1.06	1.14	1.03	1.06	0.96	0.81	1.00
Memphis	0.84	0.97	0.95	0.95	1.00	1.05	1.12	1.17	1.05	1.10	1.03	0.81	1.00
Minneapolis	0.84	0.95	0.90	0.94	0.94	1.05	1.06	1.15	1.08	1.08	0.98	0.77	1.00
Nashville	0.74	0.86	0.94	1.00	1.07	1.19	1.14	1.07	1.06	1.13	0.91	0.77	1.00
New Orleans	1.23	1.11	0.98	1.12	1.08	0.98	1.00	1.03	0.91	1.25	1.03	0.68	1.00
New York	0.79	0.90	0.96	0.96	1.06	1.05	0.90	1.03	1.03	1.16	1.06	0.91	1.00
Philadelphia	0.81	0.96	0.97	1.11	1.15	1.07	0.89	1.00	1.00	1.17	1.01	0.74	1.00
Phoenix	1.09	1.33	1.46	1.19	1.02	0.82	0.70	0.81	0.88	1.00	1.00	0.82	1.00
St.Louis	0.73	0.74	1.02	1.00	1.05	1.19	1.15	1.18	1.10	1.13	0.95	0.76	1.00
San Antonio	0.72	0.91	0.99	0.96	0.94	1.18	1.27	1.19	0.94	1.01	0.87	0.79	1.00
San Diego	0.87	1.04	1.12	1.06	1.01	1.00	1.14	1.22	1.04	1.00	0.84	0.74	1.00
San Francisco	0.75	0.88	1.01	0.93	1.05	1.08	1.12	1.08	1.04	1.23	0.95	0.84	1.00
Washington	0.62	0.85	1.15	1.21	1.25	1.19	1.01	1.03	1.06	1.16	0.88	0.66	1.00

Source: Pannell Kerr Forster, Trends in the Hotel Industry, Houston, Texas, 1989.

OUTLOOK FOR THE HOTEL INDUSTRY

Several of the major real estate and economic consulting firms prepare short- or medium-term forecasts for the hotel-tourist-resort market. Among these are Real Estate Research Corporation, Pannell Kerr Forster, Laventhol and Horwath, Landauer Associates, and the Urban Land Institute.

Most national forecasts continue to note the persistence of an oversupply in hotel rooms which occurred as a result of fast-paced development in the 1980s. Nationwide new supply is constrained by financial factors, including the 1986 Federal tax reform act, that have diminished investment in hotel construction in the last four years. Although the short term national outlook is for slight growth in demand and less response in supply, the longer term outlook remains positive, with about 5 percent growth in demand annually.

The outlook for Boston is for substantial demand for hotel accommodations in the next ten years. See also *Hotel Development Study* completed by the BRA in May 1989. According to that report, the three market segments of hotel demand—individual business,

tourist, and group—together are likely to generate demand for 5,600 additional hotel rooms in Boston by the end of the century. This projection assumes a 70 percent occupancy rate, considered a healthy norm in the hotel industry. If the recent annual occupancy rate, around 73 percent, were to become the norm for the end of the century, the Boston market could satisfy demand with 4,900 additional rooms by the year 2000.

The BRA outlook for the hotel industry is based on a ten-year view of economic trends. See Section 5 for detail on business visitor, convention, and tourist demand for hotel rooms. The long-term view remains optimistic despite some slowing of the tourism and hotel business over the last year. Business, convention, and tourist trade should grow substantially in the next ten years, with expansion of employment and personal income in the northeastern United States and demographic trends that favor increased travel.

4 BOSTON HOTEL DEVELOPMENT OPPORTUNITIES

Consistent with projections for overall growth in the Boston economy in the 1990s, projections of demand for new hotels in Boston suggest that sound hotel development opportunities will be available throughout the decade. Substantial public benefits will be realized from their development. The use of unified marketing techniques to expand the City's current market is essential.

THE PROSPECTS FOR NEW HOTELS

A number of potential hotel projects and locations have been proposed to the BRA for consideration. See Table 12. The projects would add 3,228 rooms to Boston's hotel stock by the end of the decade.

The projected demand for hotel rooms through 2000 implies a development capacity of an additional 4,400 rooms, assuming strong economic growth rates and a 75 percent average annual occupancy rate. In other words, the Boston market could support at least 8 to 10 large hotels. The difference between the projected demand and the proposed and possible projects, amounting to around 1,100 rooms, represents the demand that would either find accommodation in yet to be proposed Boston projects, or in hotels outside of Boston, or serve to raise the average occupancy rate in Boston hotels.

The market segments in which unmet demand could be most readily served are the mid-level and budget classes. Development of luxury and first class hotel rooms dominated the hotel industry during the last ten years. Of the 4,919 rooms built since 1978, all but 343, or 7 percent, were in the luxury and first class categories. Mid-level

Table 12. Hotel Projects Under Consideration

	Rooms
Lewis Wharf	263
Commonwealth Center	420
North Station/Boston Garden	350
Parcel 18	200
Central Wharf	385
Charlestown Navy Yard P-4	390
Park Square	350
Midtown	600
Logan Airport	270
Total	3,228

Source: Boston Redevelopment Authority

and budget hotels comprise 30 percent of the city's hotel rooms, compared to 43 percent in 1977. That share is low compared to most other major cities. Now, hotel development proposals might take advantage of the current shortage of moderately-priced hotel rooms in Boston, and the need for additional convention-grade rooms within walking distance of the Hynes Convention Center.

The Boston metropolitan area still has a relatively small stock of hotel rooms. In 1986, Boston ranked 17th among 21 large metropolitan areas in hotel rooms per capita and 18th in hotel rooms per 1,000 employees.

The City of Cambridge, across the Charles River, has become a factor in the Boston hotel market. Cambridge now has six large hotels with 1,800 rooms. Current plans call for another 1,200 rooms this decade. Some of the unmet demand for hotel accommodation in Boston has and will continue to go to Cambridge.

To summarize, Boston has hotel development opportunities. The market readily absorbed the five thousand hotel rooms built in Boston between 1978 and 1988, as the city's annual average occupancy rate never fell below 68 percent, with a reported average of 72.3 percent for the period. Boston stands today as it did in 1978, with a market ready for substantial hotel development.

PUBLIC BENEFITS OF HOTELS AND THE TOURISM INDUSTRY

The tourism industry, which includes hotels and convention facilities, has a substantial impact on the city and regional economies. Tourism data for 1989 include the following from the Greater Boston Convention and Tourist Bureau. The Greater Boston area had 8.25 million visitors in 1989, down from 8.8 million in 1988. Visitors spent \$3.53 billion in 1989, with a total economic impact of \$6.30 billion, showing little change from the previous year. In 1989, the Boston area attracted 8.8 million visitors who spent \$3.5 billion and had a total economic impact of \$6.3 billion, equivalent to six percent of the total regional economy or the total cost of the 10-year clean-up of Boston Harbor.

In the City of Boston, the visitor industry had a greater relative importance, accounting for about \$4.3 billion, or 14 percent of the city economy. The visitor industry contributes as much to the city economy as the combined total of all manufacturing, wholesale trade and construction firms located in the city

In FY 1989 property tax revenue from hotels in Boston amounted to \$12.5 million based upon a total assessed value of \$559 million and a rate of \$22.44 per thousand dollars of assessed value. In addition, in FY 1986 the City instituted a hotel room occupancy tax, equal to 4 cents for every dollar of room sales. The Commonwealth also collects a tax of 5.75 cents per dollar of sales. The City's hotel occupancy tax has generated annual revenues from FY 1986 through FY 1989 of: \$6.8 million, \$10.4 million, \$12.1 million, and \$13.6 million. Together, hotel property and lodging taxes generate about 4.4 percent of locally generated tax revenue.

Average annual employment in the hotel industry in 1989 was over 13,000. Generally the profile of hotel employment contains a significant share of lower and semi-skilled occupations. Many new immigrants fill the many hotel jobs and provide a steady supply of labor. The hotel industry provides substantial employment opportunities for many Boston residents: over 50 percent of Boston hotel jobs are reportedly held by Bostonians. Based on an average wage in 1987 of \$15,647, the total hotel payroll was nearly \$200 million in Boston last year. That payroll is spent locally to stimulate both business sales and sales tax revenue. The *Hotel Development Study* provides more detail on the economic impact of visitors in recent years.

OFF SEASON PROMOTIONAL CONCEPTS

In addition to its substantial economic impact, the hotel and convention industry does much to promote and uphold a positive image of Boston. If a city is known by its hotels, then Boston's image has improved tremendously in the last ten years. Marketing programs, high quality accommodations and services, and other visitor activities sponsored by the industry do much to create and enhance the experience a visitor has when he or she comes to Boston.

The city now has an up-to-date, attractive hotel and convention industry that deserves continued support and attention. Even with its upgraded facilities, Boston faces stiff competition from the top twenty cities in the nation which also new and expanded hotels, convention halls and meeting places.

Boston's hotel occupancy is constrained by the seasonal fluctuations in the number of overnight visitors. The winter months of December through February typically bring occupancy down to 45 to 50 percent. If marketing programs were able to raise average monthly occupancy rates by 5 percentage points in December, January and February, the benefits would be substantial. The hotels would increase room sales by \$5.3 million, Boston's occupancy tax revenue would increase by \$212,200, and state hotel tax collections would be higher by \$304,100. If all of the additional hotel rooms sales were made to out-of-state visitors, the total economic benefit to the Commonwealth would be \$34.1 million. If the marketing programs were able to raise hotel occupancy by 10 percentage points in each month, bringing the visitor trade in the winter months up to the typical March level, those impacts could be doubled.

Similarly, Boston hotels could absorb more visitors during the months of March, April, July and November when occupancy ranges from 65 to 75 percent. During the busiest months—May, June, and August through October—the current hotel stock has an average occupancy ranging from 75 to 90 percent. Even then, weekend emphasis would help in the busier months, as hotel occupancy also follows a weekly pattern of higher room sales on weekdays, supported by business and convention visitors, and lower sales on weekends when tourists are the primary guests.

What could Boston do to raise hotel room occupancy in the off season? Some cities, such as Ottawa and Quebec City in Canada, have winter festivals that attract hundreds of thousands of visitors. First Night, Boston's annual New Year's Eve event, draws thousands from the metropolitan area. That concept might be extended to attract overnight visitors, or an additional festival might be staged later in the winter. For example, a 10-day festival in February could feature sports, theater, and arts. Attendance might amount to 500,000 with sufficient marketing. Other ideas include invitational sports tournaments, competitive academic events, holiday packages that combine skiing in northern New England with visits to Boston attractions, winter business ventures or conventions, or other special events which include lodging and admission to museums, theater, or sporting events. Boston might build promotion around existing traditions and resources such as Black History Month (February), the first public school (Boston Latin), historic architecture, and political debate (Daniel Webster, Faneuil Hall, etc.). Merchants might offer discounts or rebates to fill out a visitor package in the winter and spring. During spring and late fall, similar programs could focus on attracting weekend, overnight visitors. These ideas are not exhaustive, but offer a start in the direction of greater off season promotion.

5 SOURCES OF DEMAND FOR HOTEL ROOMS

The projections of growth in Boston's hotel and convention industry were partly based on regional economic forecasts published by National Planning Association, (NPA), "Regional Economic Projections Series, 1985-2000", and the U.S. Bureau of Economic Analysis, (BEA), "Metropolitan Area Projections of Income, Employment and Population to the year 2000", 1985.

According to the BEA, personal income for the Boston metropolitan area would rise from 67.8 billion in 1987, 7th highest in the nation, to \$95 billion, or 6th highest, by the year 2000. BEA also projects Boston area per capita personal income to grow from \$6,693 in 1983 to \$8,918 (in current 1972 dollars) by the year 2000, ranking Boston 18th among the 330 largest metropolitan areas in the nation. The report also projects that population in the Boston area would grow at an average rate of 0.9 percent per year through the year 2000. According to the NPA, employment in the Boston area would increase by 396,000 jobs between 1987 and the year 2000, or from 2,493,700 to 2,889,800. The NPA bases this projection on economic trends reflecting lower energy costs and a lower exchange value of the dollar. These trends would stimulate the older, large industrial centers in the Northeast, such as Boston, which went through major adjustments during the recessions of the 1970s.

Related analyses and projections for the City of Boston conducted by the BRA forecast a growth of 150,000 jobs from 1985-2000, or about 10,000 per year. These new jobs will be created primarily in a broad range of services activities. Public and private development will amount to \$20 billion over the next ten years. Several major public infrastructure projects will add thrust to the underlying growth trends. The Third Harbor Tunnel, the Boston Harbor clean-up, the Central Artery project, a new waste-to-energy plant, and a new house of corrections are scheduled to be constructed during the next decade. These public projects may increase the current number of jobs in construction by 50 percent through the mid-1990s.

The regional economy's expansion in the 1980s resulted in lower unemployment, higher income, greater population, and more business activity, including lodging. The regional economic expansion has also precipitated higher housing costs, a higher cost of living, and shortages of labor for many jobs. These factors may constrain economic growth unless more workers are attracted to live in the Boston area.

The outlook for Boston may be presented as demand for hotel accommodations in three market segments: Tourists, Individual Business Visitors, and Groups.

TOURISTS

Boston has many tourist attractions and conveys an image of a sophisticated, walkable city, well endowed in the arts, education, medicine, historic sites, commerce, and recreation. Boston is the business and intellectual center of New England, as noted in a recent article on New England in *The Economist*: "Wherever you look, something is being tried for the first time in Boston." Tourism to Boston has risen dramatically over the last ten years. The number of tourist visitors to Boston has risen steadily from 4.8 million in 1977 to 6.0 million in 1987. Several Boston attractions have enjoyed rapid growth in the last ten years. For instance, an estimated 1.2 million people visited the New England Aquarium in 1987, compared to 0.8 million in 1977, a 50 percent increase. Attendance at the Museum of Science grew from 0.9 million in 1977 to 1.6 million in 1987, a 65 percent increase.

The sources of growth in tourism were national and regional prosperity, an increase in U.S. domestic travel due to terrorism abroad, lower gasoline prices, the depreciation of the dollar, and an increase in population over 50 years of age which is the peak travel population. Boston's growing popularity as a travel destination may be attributed also to increased marketing efforts and other positive national attention such as television exposure generated by "Cheers", "Spenser for Hire" and local professional sporting events.

Foreign visitors to Greater Boston typically make up 10 percent of all visitors, or about 850,000 in 1987. Foreign visitors are attracted to the Boston area by the low value of the dollar in relation to many other foreign currencies, to increased international business activity and Boston's emerging world class status as a tourist destination.

Higher education in Boston is a large, consistent, but highly seasonal source of visitors. Graduation exercises at the many colleges and universities in and around the city as well as autumn events for alumni and parents bring thousands of visitors that boost hotel occupancy in May and June and again in September and October.

Tourist visitors, that is, persons visiting for non-business purposes, have consistently accounted for about 20 percent of the total hotel room sales in Boston over the past ten years. In 1977, Boston hotels sold 354,400 hotel room nights to tourists; that number increased 45 percent to 515,200 by 1984 and then by an additional 23 percent to 633,700 in 1987.

The rate of increase in hotel room sales to tourist visitors between 1987 and 2000, 2.57 percent compound annual growth, reflects projections of regional personal income. The rates vary over time, with the fastest growth through 1990 when the tourist segment will demand 665,400 hotel room nights requiring 2,604 hotel rooms. That represents a 5 percent increase over 1987. Demand is projected to reach 751,800 hotel room nights by 1995, requiring 2,604 rooms, and 828,400 hotel room nights by the year 2000, requiring 3,242 hotel rooms.

BUSINESS VISITORS

Commercial individual visitors, primarily made up of executives visiting for business purposes, have consistently accounted for about half of the total hotel room demand in Boston over the past ten years. As the number of city-wide employees has grown, so too has the commercial individual visitor demand.

In 1977, Boston's total employment was 516,400 and the number of hotel room nights booked by commercial individuals was 868,200; in 1987, employment was 620,338 and the number of hotel room nights numbered 1,552,500. While this segment of the market grew by 79 percent, the ratio of hotel room nights booked per employee increased from 1.62 in 1977, to 1.79 in 1982, and to 2.40 in 1987. This increase can be attributed to the shift in the city's employment mix away from manufacturing and wholesale trade and toward business and professional services which generate more hotel room nights per employee.

Based on BRA projections of growth in Boston city-wide employment, by 1990 the demand for hotel rooms generated by the business visitors is expected to equal 1,566,100 annual hotel room nights. That would represent a 17 percent increase over sales in 1985. Commercial individuals would by themselves support a supply of 6,129 hotel rooms. By 1995 the demand would reach 1,962,500 hotel room nights and would require a supply of 7,681 hotel rooms. By the turn of the century, demand would grow to 2,089,100 hotel room nights and need a room supply of 8,176.

The projections of hotel room requirements are based upon an annual average occupancy rate of 70 percent and a constant seasonal pattern of demand for rooms by business visitors over the years.

GROUP VISITORS

The group segment of hotel demand is made up of "corporate group" visitors, predominately groups of executives attending meetings in a hotel, and "group association" visitors, which are travelers attending a meeting, convention or trade show sponsored by a professional or trade organization, and usually held in a large, separate, meeting facility. In 1977, the total group segment booked 549,300 hotel room nights, about one-third of Boston's total hotel room nights. In 1984, this segment booked 824,300 room nights, a 50 percent increase over 1977. In 1987, hotels sold 1,045,500 room nights to group visitors, a growth of 27 percent over 1984. Over the last ten years, group visitors consistently accounted for one-third of total hotel room demand.

Projections of demand generated by the group segment take into consideration the growing popularity of group meetings in business and the expected surge in group association room sales due to the opening of the expanded Hynes Convention Center. In 1985, 371,000 group corporate visitors came to Boston. By 1990, the number of group

corporate visitors will likely reach 421,800, and increase further to 479,600 by 1995 and to 532,100 by the year 2000.

In 1985, group association visitors to Boston numbered 447,200. With the re-opening of the Hynes Convention Center, sales to group association visitors will reach 570,800 by 1990, 728,500 by 1995, and 844,500 by the year 2000.

These projections increase the total group segment visitor count from 818,200 in 1985 to 992,600 in 1990. Assuming 1.1 room nights per visitor, the group segment would require 4,232 rooms in 1990; 1,208,000 visitors in 1995 would require 5,262 rooms; and 1,376,500 visitors would require 5,997 rooms by the year 2000. These increases represent an average compound annual growth rate for the entire group segment of 3.36 percent and a 64 percent increase from 1985 to 2000. The group market segment is expected to register the highest relative growth rate of the three segments through the year 2000. The Hynes and the hotels suitable for groups could exceed group room sale expectations in the early 1990s if gatherings in Boston become particularly fashionable.

